

# Executive Summary Report

**Appraisal Date 1/1/2006 – 2006 Assessment Roll**

**Specialty Name: Warehouses**

**Sales - Improved Summary:**

Number of Sales: 36

Range of Sale Dates: 1/01/2003 – 01/01/2006

**Sales – Ratio Study Summary:**

	<u>Mean Assessed Value</u>	<u>Mean Sale Price</u>	<u>Ratio</u>	<u>COV</u>
2005 Value	\$12,468,100	\$15,099,900	82.6%	15.31%
2006 Value	\$14,218,700	\$15,099,900	94.2%	5.72%
Change	+ \$1,750,600		+11.6%	-9.59%
%Change	+14.04%		+14.04%	62.64%

\*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -9.59% actually represent an improvement.

Sales used in Analysis: All improved sales that are verified as fair market transactions were included in the analysis.

**Population - Parcel Summary Data:**

	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2005 Value</b>	\$951,358,700	\$1,672,884,300	\$2,624,243,000
<b>2006 Value</b>	\$1,000,785,500	\$1,880,639,600	\$2,881,426,100
<b>Percent Change</b>	+5.20%	+12.42%	+9.80%

Number of Parcels in the Population: 282

**Conclusion and Recommendation:**

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2006 Assessment Roll.

## **Analysis Process**

### ***Area Specialty and Responsible Appraiser***

Specialty Area – 500-Warehouses

### ***Highest and Best Use Analysis***

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial/industrial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

**Standards and Measurement of Data Accuracy:** Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

### ***Special Assumptions, Departures and Limiting Conditions***

All three approaches to value; market, cost, and income, were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- ✚ Sales from 1/2003 to 1/2006 (minimum) were considered in all analyses.
- ✚ No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- ✚ This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## Identification of the Area

### **Name or Designation: Specialty Area 500: Warehouses**

This report contains data pertinent to the revalue of major warehouse facilities. Specialty Area 500 encompasses all distribution, transit and storage as well as light industrial facilities with building areas greater than or equal to 100,000 net rentable square footage located in King County. It is divided into five neighborhoods. A significant concentration, 73%, are located in the South End of the county. All warehouse specialty properties were revalued this year.

**Boundaries:** The properties are located throughout King County.

### **Maps:**

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

### **Area Description:**

Many of the warehouses are designed for storage. Typically office space is between 3% and 12% of the total area. Distribution warehouses will have larger office/sales areas approximately 15% and 20%, to accommodate breakdown and transshipment. Transit warehouses are designed for loading, freight segregation and closed storage.

This year has proven to be one of the best years ever for industrial sales. Although all commercial sales are up this year, the industrial sector is on top. Strong net absorption has started this. Vacancy rates and cap rates have dropped. Pension Funds, Real Estate Investment Trusts, and private investors have recently been the main buyers of large warehouses.

The main force for growth in the industrial sector is record container volumes at the ports. It has increased 31% at the Port of Seattle. Our ports have upgraded in recent years and expanded their capacity. Exports and imports are on the rise. The ports are a day closer to Asia than those in Southern California. The demand for warehouse and distribution space has increased tremendously with so much more merchandise entering our region. Storage and distribution space is needed.

The increasing scarcity of industrial land is continuing to impact development. This has long been the case for close-in properties that now face redevelopment pressure into retail, residential, and other uses. Outlying properties are facing environmental and political restrictions as development of large facilities continues to spread farther from the familiar core areas outward in all available directions to less costly land. Nearly all speculative warehouse construction is being leased before it is finished.

The industrial areas of King County have several recognized submarkets; the close-in Seattle area, the Kent Valley, Renton, Auburn, and the Eastside.

The economic conditions for large warehouses have seen an increase in value. Overall lease rates have only seen a slight increase this year, however landlords have begun to decrease concession packages such as free rent or tenant improvements. Capitalization rates have decreased ranging from 7.00% to 8.00%. Vacancy rates came down significantly from last year ranging from 7.00% to 10.00%

### **Physically Inspected Neighborhood:**

The physically inspected neighborhood was the Seattle/Close-in area of 500-25.

### **There Are Five Neighborhoods In Area 500:**

**South King County:** (Approximately 73% of the warehouse specialty population is located here)

Specialty Area 500-25 includes Tukwila, Sea Tac, Renton and the northern portion of the Kent Valley (north of South 190<sup>th</sup> Street). Distribution warehouses dominate this area. Several new vacancies appeared in Renton as firms moved to new construction in the southern portion of the Kent valley despite Renton's good location.

Specialty Area 500-35 includes Auburn, Pacific, Algona, and Enumclaw. There are a large number of industrial parks offering a variety of available space for the particular needs of individual tenants, as well as many stand alone industrial concerns that have been built to individual specifications. Property types range from incubator space, major cold storage and distribution facilities. There have been two new distribution centers built within the last couple years, one for Safeway and one on Frontage Road in Auburn.

Specialty Area 500-45 includes the Kent Valley (south of South 190<sup>th</sup> Street). Distribution warehouses predominate, yet manufacturing concerns, food service and cold storage warehouses are found throughout this area. The Kent Valley continues to be the area of new warehouse construction and it appears more warehouses are planned for the next few years due to demand.

**Seattle/Close-In :** (Approximately 17% of the warehouse specialty population is located here)

Specialty Area 500-60 is located primarily south of Safeco Field (Sodo district), and along both sides of the Duwamish Waterway and makes up the heart of Seattle's historic industrial area. This area contains a mixture of industrial processing facilities, distribution warehouses, and truck terminals. Demand has remained high with influence from the Port of Seattle, Safeco Field, and Qwest field displacing a number of industrial tenants. More spot retail and office uses are expected. The close-in market remains the tightest with a 3-7% vacancy rate due to lack of available land. The close-in properties now face redevelopment pressures.

**East King County :** (Approximately 10% of the warehouse specialty population is located here)

Specialty Area 500-80 represents the vast geographical area of the Eastside. This area includes Bellevue, Kirkland, Redmond, Bothell, and Woodinville. This area has benefited from population growth and high technology companies. Newer warehouses can be seen in this area. The vacancy rates have declined to 10%. A large sale of a three building Genie Industrial campus in Redmond produced a record \$103 per square foot of net rentable area.

## ***Preliminary Ratio Analysis***

A preliminary ratio study was completed just prior to the application of the 2006 recommended values. This study benchmarks the current assessment level using 2005 posted values. The study was also repeated after application of the 2006 recommended values. The results are included in the validation section of this report, showing an improvement in the Coefficient of Variation (COV) from 15.31% to 5.72%.

## ***Scope of Data***

### ***Land Value Data:***

The geographic appraiser in the area in which the specialty warehouse property is located is responsible for the land value used by the warehouse specialty appraiser. See appropriate area reports for land valuation discussion.

### ***Improved Parcel Total Values:***

### ***Sales comparison approach model description***

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. Verification consists of contact with Buyer, Seller or Broker if possible or information from the CoStar InfoSystems, Inc., a real estate sales verification service. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, and the competitive position of the property were also gathered. Characteristic data is verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

### ***Sales comparison calibration***

Only those sales coded as verified "good" were considered in the process of this revalue. There are 36 improved sales, countywide. After an initial search for comparable sales within each specialty area, a search is made in neighboring areas if necessary.

### ***Cost approach model description***

Cost estimates are automatically calculated via the Marshall & Swift "black box" cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost is adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Cost estimates

serve as value indicators for new construction projects and are relied upon for special use properties where no income or market data exists.

### ***Cost calibration***

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

### ***Income capitalization approach model description***

The Income Approach to value (a direct capitalization method) was considered for warehouse properties this revalue. The Income Approach was considered the most reliable method of valuation for the majority of properties in Area 500 and was facilitated when appropriate. Income Tables were developed for each economic neighborhood in Specialty Area 500 for use in the department's commercial income capitalization program. They are broken down by neighborhood and the Marshall& Swift occupancy use codes. These tables are appended towards the end of this report. Economic rental rates were taken from published sources, landlords, tenants, and rental rate opinions from various Real Estate professionals active in Warehouse leasing. Expense ratios were estimated based on industry standards and familiarity of each areas rental expense. Capitalization rates were determined by personal analysis of the sales in each area and industry average rates of return. All rents are given as triple net, which is the norm for these types of properties. Those parcels that did not fit the income tables, due to excess land or locational influences were treated as exceptions and valued appropriately via one or more of the three approaches to value, Income, Market, or Cost.

### ***Income approach calibration***

The models were calibrated after setting economic base rents, vacancy, expenses, and capitalization rates by using adjustments based on size, effective age, and quality of construction as recorded in the Assessor's records. The following table outlines specific income parameters.

<b>PROPERTY TYPE</b>	<b>OVERALL RENT RANGE</b>	<b>TYPICAL RENT RANGE</b>	<b>EXPENSE</b>	<b>OAR RANGE</b>
Storage Cold storage Garage Service Showroom Industrial Distribution	\$3.36 to \$9.00	\$3.84 to \$7.80	12%	7.00% to 8.00%
Warehouse Office Mezzanine Office	\$7.20 to \$19.00	\$7.20 to \$15.00	12%	7.00% to 8.00%
Mezzanine Office	\$7.20 to \$19.00	\$7.20 to \$15.00	12%	7.00% to 8.00%

***Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.***

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. The income approach to valuation is given greatest weight in the final analysis due to the information available.

## **Model Validation**

***Total Value Conclusions, Recommendations and Validation:***

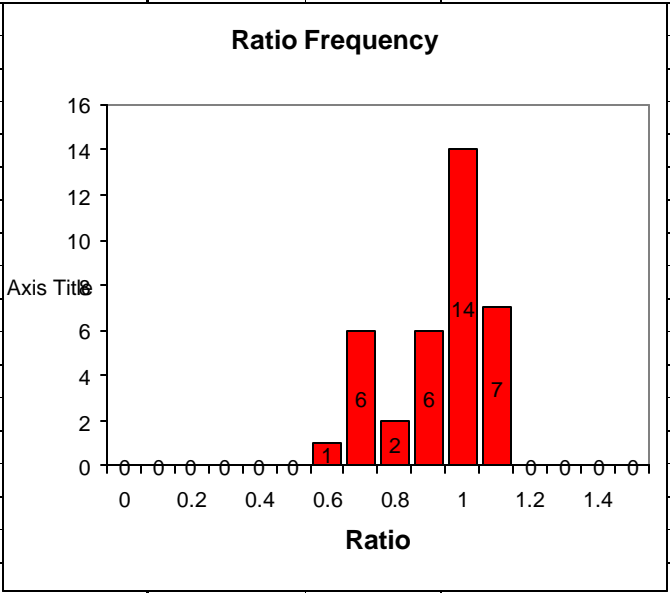
Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Application of the total Value Model described above results in improved equity between individual properties as shown by the improvement in the C.O.V. from 15.31 % to 5.72%. In addition the resulting assessment level is 94.2 % and falls within IAAO performance guidelines. These figures are presented in the 2005 and 2006 Ratio Analysis charts included in this report.

The total value for the 2005 assessment year for Area 500 was \$2,624,243,000. The total recommended assessed value for the 2006 assessment year is \$2,881,426,100.

Application of these recommended values for the 2006 assessment year results in a total change from the 2005 assessments of +9.80 %.

**Area 500-000 WAREHOUSES**  
**2005 Assessment Year**

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>		<b>Sales Dates:</b>
North Crew	1/1/2005	5/1/2006		1/1/03 - 01/01/06
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
500-WAREHOUSES	SSHA	Improvement		N
<b>SAMPLE STATISTICS</b>				
<i>Sample size (n)</i>	36	<div style="text-align: center;"> <b>Ratio Frequency</b>  </div>		
<i>Mean Assessed Value</i>	12,468,100			
<i>Mean Sales Price</i>	15,099,900			
<i>Standard Deviation AV</i>	8,563,868			
<i>Standard Deviation SP</i>	12,871,467			
<b>ASSESSMENT LEVEL</b>				
<i>Arithmetic mean ratio</i>	0.889			
<i>Median Ratio</i>	0.920			
<i>Weighted Mean Ratio</i>	0.826			
<b>UNIFORMITY</b>				
<i>Lowest ratio</i>	0.5213			
<i>Highest ratio:</i>	1.0662			
<i>Coefficient of Dispersion</i>	11.25%			
<i>Standard Deviation</i>	0.1360			
<i>Coefficient of Variation</i>	15.31%			
<i>Price-related Differential</i>	1.08			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>				
<i>Lower limit</i>	0.884			
<i>Upper limit</i>	0.978			
<b>95% Confidence: Mean</b>				
<i>Lower limit</i>	0.844			
<i>Upper limit</i>	0.933			
<b>SAMPLE SIZE EVALUATION</b>				
<i>N (population size)</i>	254			
<i>B (acceptable error - in decimal)</i>	0.05			
<i>S (estimated from this sample)</i>	0.1360			
<b>Recommended minimum:</b>	27			
<i>Actual sample size:</i>	36			
<b>Conclusion:</b>	OK			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
<i># ratios below mean:</i>	12			
<i># ratios above mean:</i>	24			
<i>z:</i>	1.833333333			
<b>Conclusion:</b>	Normal*			
*i.e., no evidence of non-normality				

These figures reflect measurements before posting new values.

# Area 500-000 WAREHOUSES

2006 Assessment Year

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>	<b>Sales Dates:</b>		
North Crew	1/1/2006	5/1/2006	1/1/03 - 01/01/06		
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>	<b>Trend used?: Y / N</b>		
500 WAREHOUSES	SSHA	Improvement	N		
<b>SAMPLE STATISTICS</b>					
<b>Sample size (n)</b>	36	<p>Ratio Frequency</p>			
<b>Mean Assessed Value</b>	14,218,700				
<b>Mean Sales Price</b>	15,099,900				
<b>Standard Deviation AV</b>	11,560,221				
<b>Standard Deviation SP</b>	12,871,467				
<b>ASSESSMENT LEVEL</b>					
<b>Arithmetic mean ratio</b>	0.962	<p>Axis Title</p>			
<b>Median Ratio</b>	0.978				
<b>Weighted Mean Ratio</b>	0.942				
<b>UNIFORMITY</b>					
<b>Lowest ratio</b>	0.8138	<p>These figures reflect measurements after posting new values.</p>			
<b>Highest ratio:</b>	1.0589				
<b>Coefficient of Dispersion</b>	4.34%				
<b>Standard Deviation</b>	0.0550				
<b>Coefficient of Variation</b>	5.72%				
<b>Price-related Differential</b>	1.02				
<b>RELIABILITY</b>					
<b>95% Confidence: Median</b>		<p>These figures reflect measurements after posting new values.</p>			
<b>Lower limit</b>	0.944				
<b>Upper limit</b>	0.991				
<b>95% Confidence: Mean</b>					
<b>Lower limit</b>	0.944				
<b>Upper limit</b>	0.979	<p>These figures reflect measurements after posting new values.</p>			
<b>SAMPLE SIZE EVALUATION</b>					
<b>N (population size)</b>	254				
<b>B (acceptable error - in decimal)</b>	0.05				
<b>S (estimated from this sample)</b>	0.0550				
<b>Recommended minimum:</b>	5				
<b>Actual sample size:</b>	36				
<b>Conclusion:</b>	OK	<p>These figures reflect measurements after posting new values.</p>			
<b>NORMALITY</b>					
<b>Binomial Test</b>					
<b># ratios below mean:</b>	16				
<b># ratios above mean:</b>	20				
<b>z:</b>	0.5				
<b>Conclusion:</b>	Normal*	<p>These figures reflect measurements after posting new values.</p>			
*i.e., no evidence of non-normality					

### Improvement Sales for Area 500-000 with Sales Used 04/26/2006

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
500	025	125381	0110	178,984	2073540	\$8,650,000	09/27/04	\$48.33	RADEN WAREHOUSE	IL	1	Y	
500	025	252304	9064	181,725	2116488	\$9,013,752	04/18/05	\$49.60	ALLPAK CONTAINER CORP	IH	1	Y	
500	025	262304	9081	220,635	2100212	\$15,100,000	01/13/05	\$68.44	PENNEYS DIST CENTER	TUC	3	Y	
500	025	788880	0400	180,832	2095762	\$9,000,000	01/12/05	\$49.77	ALDARRA DISTRIBUTION FACILITY	M2	1	Y	
500	025	788890	0130	130,640	2175302	\$7,443,000	12/14/05	\$56.97	SOUND FLOOR COVERINGS	C/LI	1	Y	
500	025	883660	0140	103,000	2096230	\$5,474,597	01/14/05	\$53.15	WEST VALLEY DISTRIBUTION CENTER	M1	2	Y	
500	035	030151	0050	263,155	2113926	\$14,482,384	04/05/05	\$55.03	PACIFIC GULF DISTRIBUTION CENTER	M1	1	Y	
500	035	122104	9017	951,328	2169746	\$53,900,000	11/16/05	\$56.66	UPS SUPPLY CHAIN SOLUTIONS	M2	2	Y	
500	035	122104	9019	223,868	1972187	\$13,773,628	06/27/03	\$61.53	CARDINAL HEALTH BUILDING	M2	1	Y	
500	035	232973	0020	207,816	2154175	\$12,410,000	08/23/05	\$59.72	EMERALD CORPORATE PARK - BLDG. A	M1	1	Y	
500	035	242104	9019	206,001	2113925	\$12,081,909	04/05/05	\$58.65	DYNACRAFT	M1	1	Y	
500	035	242104	9082	198,530	1964411	\$8,586,197	06/09/03	\$43.25	WAREHOUSE	M1	1	Y	
500	045	012204	9016	228,044	2179821	\$13,500,000	01/01/06	\$59.20	EAST VALLEY DISTRIBUTION CENTER	M2	1	Y	
500	045	012204	9045	960,302	2154667	\$57,400,000	09/15/05	\$59.77	VALLEY INDUSTRIAL PARK (BUILDING	M2	2	Y	
500	045	012204	9055	113,760	2108920	\$5,050,000	03/17/05	\$44.39	STERNOFF BUILDING	M2	1	Y	
500	045	072205	9093	101,400	2155659	\$3,875,000	09/19/05	\$38.21	WILSONART	M2	1	Y	
500	045	112204	9080	532,659	2095764	\$33,000,000	01/12/05	\$61.95	ALDARRA CORPORATE PARK I	M1-C	7	Y	
500	045	122204	9012	180,010	2143736	\$9,025,000	08/01/05	\$50.14	WAREHOUSE	M1	1	Y	
500	045	122204	9109	106,910	2152171	\$6,874,000	09/01/05	\$64.30	BENAROYA AT SOUTH 216TH	M3	1	Y	
500	045	122204	9113	124,972	2099740	\$5,000,000	02/01/05	\$40.01	NORTHROP DISTRIBUTION CENTER	M1	1	Y	
500	045	125370	0350	365,040	2151965	\$22,000,000	09/01/05	\$60.27	ASSOCIATED GROCERS	M2	1	Y	
500	045	132204	9013	251,680	1946608	\$13,000,000	03/21/03	\$51.65	PARK 234	M1	1	Y	
500	045	132204	9062	178,400	2107106	\$8,650,000	03/11/05	\$48.49	234 DISTRIBUTION CENTER	M1	1	Y	
500	045	132204	9218	106,480	2099931	\$6,000,000	01/25/05	\$56.35	INTERGRIS METAL BUILDING	M3	1	Y	
500	045	142204	9044	192,247	1964423	\$10,250,000	06/09/03	\$53.32	SHAW INDUSTRIES	M1	1	Y	
500	045	788880	0590	169,635	2004511	\$9,150,000	11/26/03	\$53.94	LINCOLN DISTRIBUTION CENTER	M1	2	Y	
500	045	887980	0270	188,500	2074424	\$12,325,000	10/01/04	\$65.38	VAN DOREN'S LANDING BUILDING C	M1	1	Y	
500	060	182404	9060	176,031	2113923	\$11,836,281	04/05/05	\$67.24	CITY COMMERCE PARK	IG1 U/8	1	Y	
500	060	213620	0695	120,310	2084231	\$6,980,292	11/05/04	\$58.02	PACIFIC TERMINALS LIMITED	IG1 U/8	2	Y	
500	060	395890	0851	100,780	1946622	\$5,650,000	03/24/03	\$56.06	WAREHOUSE/DISTRIBUTION	IG1 U/8	1	Y	
500	060	536720	4080	174,537	2065062	\$13,775,000	08/25/04	\$78.92	SEATTLE DISTRIBUTION CENTER	IG1 U/8	1	Y	
500	060	766620	3467	125,643	2080238	\$9,380,000	10/25/04	\$74.66	TAYLOR - EDWARDS	IG1 U/8	1	Y	
500	060	766620	7536	410,915	2136789	\$23,545,000	07/05/05	\$57.30	PORT TERMINAL 106 E	IG1 U/8	1	Y	
500	080	221295	0080	198,094	2001409	\$19,214,000	11/10/03	\$96.99	GENIE INDUSTRIES BUILDING #3)	MP	4	Y	
500	080	221295	0080	198,094	2104953	\$25,000,000	02/24/05	\$126.20	GENIE INDUSTRIES BUILDING #3)	MP	4	Y	
500	080	880200	0010	429,413	2149325	\$43,200,000	08/22/05	\$100.60	UNDERWOOD JOHNSON 188 (GENIE IND	MP	3	Y	